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Message Text

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70
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---------- 017227
R 291757Z MAR 74
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 063312

STADIS//

E.O. 11652 GDS
TAGS: ETRD, EAGR
SUBJECT: SUGAR

REF: MANILA 3514

1. APPRECIATE EMBASSY'S REPORTING ON PHILIPPINE INTENTIONS AND VIEWS REGARDING U.S. QUOTA.

2. WE ARE DISTURBED AT IMPLICATION IN PARAS 5 AND 6 REFTEL THAT PHILS BELIEVE U.S. HAS NO CHOICE, IN OWN SELF-INTEREST, BUT TO ASSIGN QUOTA OF 1.5 MILLION TONS TO PHILIPPINES. QUOTA REQUESTS FROM ALL SUPPLYING COUNTRIES DURING HOUSE AGRICULTURE COMMITTEE HEARINGS TOTALLED 7.2 MILLION TONS. THE AMOUNT WHICH CAN BE ALLOCATED TO FOREIGN COUNTRIES AS MORE-OR-LESS PERMANENT QUOTAS PROBABLY DOES NOT EXCEED 5.3 MILLION TONS. THERE IS NOT MUCH DOUBT THAT ACQUISITION OF SOME PHILIPPINE SUGAR IS IN U.S. INTEREST, BUT A PHILIPPINE
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QUOTA OF ONE MILLION TONS, FOR EXAMPLE, WOULD CERTAINLY NOT

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PRECLUDE FULFILLMENT OF U.S. SUGAR NEEDS.
3. DEPARTMENT HAS SUPPORTED AND WILL CONTINUE TO SUPPORT PHILIPPINE QUOTA AS CLOSE TO 1.5 MILLION TONS AS POSSIBLE. WE SHOULD NOT, HOWEVER, BE COMPLACENT IN BELIEF THAT SUCH QUOTA WILL BE ROUTINELY APPROVED AS MATTER OF ENLIGHTENED SELF-INTEREST. ON BASIS INFORMAL CONTACTS WITH COMMITTEE STAFF WE ARE NOT CONFIDENT THAT THIS CONCLUSION IS ASSURED. IT NOW APPEARS THAT DELIBERATIONS LIKELY TO CONTINUE FOR

SOME WEEKS, AND DEPARTMENT IS CONTINUING, AS INDICATED ABOVE, TO WORK FOR FAVORABLE OUTCOME, BUT PHILS SHOULD NOT ASSUME THAT BATTLE IS WON.

4. FYI INDICATION THAT O'DONNELL, AT LEAST, RECOGNIZES THIS IS THE CASE APPEARS IN LETTER HE SENT TO CHAIRMAN POAGE MARCH 22. LETTER, HOWEVER, CONCLUDES WITH FOLLOWING SENTENCE: "I AM CERTAIN THAT YOU AND YOUR COMMITTEE DO NOT INTEND TO ASK THE PHILIPPINES TO SUPPLY APPROXIMATELY 1,600,000 TONS THIS YEAR, WHEN WORLD PRICES ARE ABOVE DOMESTIC PRICES, AND SIMULTANEOUSLY THREATEN THEM WITH A MAJOR REDUCTION IN THEIR QUOTA FOR THE PERIOD WHEN PRICES RETURN TO MORE NORMAL RELATIONSHIPS." COMMITTEE MAY IN-TERPRET THIS AS VEILED THREAT TO CURTAIL 1974 RPT 1974 SHIPMENTS TO U.S. IF PHIL QUOTA REQUEST NOT MET. WHILE THIS UNDERSTANDABLE POSITION FROM PHILIPPINE POINT OF VIEW, ITS PRESENTATION HERE MAY CONSTITUTE TACTICAL ERROR, SINCE CHAIRMAN POAGE AND COMMITTEE IN GENERAL NOT LIKELY TO ACCEPT EVEN VEILED WARNINGS WITH GOOD GRACE. END FYI.
KISSINGER

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